

Sales for Resale

Your customers may issue you resale certificates when they buy items they will sell in their business operations. When you accept a valid resale certificate in good faith and in a timely manner, your sale is not taxable.

In addition to issuing resale certificates for purchases of items they will sell “as-is,” customers may issue resale certificates when they buy materials that will become a physical part of merchandise they sell. For example, a person who makes and sells furniture may buy for resale the wood that will become a part of that furniture.

Purchases for resale should be legitimate

It’s important for you to note the general nature of the purchaser’s business before you accept a resale certificate. If your customer is buying an item that is not something they ordinarily sell, you should question whether the purchase is in fact for resale.

For example, if the furniture maker mentioned above attempts to buy office supplies for resale, you should ask whether they intend to sell the office supplies in their business. If the answer is yes, you should protect yourself by having the furniture maker specifically list “office supplies” on their resale certificate. Otherwise, you should apply tax to the sale. Purchasers are subject to penalties and interest for misuse of a resale certificate. Intentional misuse can result in criminal prosecution.

Content of a resale certificate

Any document, including a letter, note, purchase order, or preprinted form, can serve as a resale certificate, provided it contains *all* of the following information:

- The name and address of the purchaser’s business.
- The purchaser’s seller’s permit number (see *Note*, below).
- A description of the property to be purchased (see “Repeat customers and customers who use purchase orders” on reverse).
- A statement that the described property is being purchased for resale. The document must contain words that state the property *will be resold* or is *for resale*. The use of words such as *nontaxable*, *tax-exempt*, or similar terms is not acceptable.
- The date of the document.
- The signature of the purchaser, purchaser’s employee, or authorized representative.

Note: Certain businesses are not required to hold seller’s permits. They may, for example, sell only in interstate and foreign commerce or sell only products that are tax-exempt (such as raw fruits and vegetables). Such businesses should note on their resale certificates that they do not hold a permit and state the reason a permit is not required.

Sales and Use TAX FACTS

Publication 103 • LDA

For additional information
you may wish to order
Regulation 1668,
Sales for Resale,
or talk to a Board of
Equalization representative.
For assistance, please call
our Information Center at
800-400-7115
(For the hearing-impaired:
— from TDD phone:
800-735-2929;
— from voice phone:
800-735-2922).
Internet: www.boe.ca.gov

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We do not publish resale certificates. However, you may download a *General Resale Certificate* (Form BOE-230) from our website or obtain a copy through our Information Center fax-back system. A sample is also available in publication 73, *Your California Seller's Permit*, and in Regulation 1668, *Sales for Resale*. Please note that the preprinted forms available from office supply stores *may not* meet all of the requirements for resale certificates. Check them before you buy.

Repeat customers and customers who use purchase orders

Repeat customers do not have to issue you an individual resale certificate for each of their purchases. They can, instead, provide one blanket resale certificate with a general description of the products they will buy. If they make a purchase that is not for resale, they should be sure to let you know so that you can properly apply tax. A customer who uses purchase orders may state *see purchase order* in the property description section of the resale certificate. Each of their purchase orders should then state whether they are buying a particular item for resale or whether the purchase is taxable.

Timely acceptance of resale certificate

When you make a sale for resale, you must obtain a resale certificate from your customer in a timely manner. This is considered to be any of the following:

- Before you bill them for the sale;
- At any time within your normal billing and payment cycle; or
- At any time prior to, or upon, delivery of the item.

Accepting a resale certificate late does *not* relieve you of liability for the tax. If we question a transaction and you accepted a certificate late, you will be required to present other satisfactory evidence to verify that the sale was a nontaxable sale for resale (see Regulation 1668).

Verifying a seller's permit number on a resale certificate

If you want to verify that your customer holds a valid seller's permit, call us toll-free at 888-225-5263, seven days a week. Please have on hand the seller's permit number you wish to verify, the business name and address, and the business owner's name. You can also verify seller's permit numbers on our website: www.boe.ca.gov.

Documenting sales for resale

You should retain resale certificates in your records to support all of your sales for resale.

Properly completing your sales and use tax return

You must report your total gross sales for the reporting period on your sales and use tax return. If your total sales include amounts you received from sales for resale, you should take a deduction for those amounts on the line set aside for sales to other retailers for purposes of resale. If you don't take the deduction, you'll pay more tax than you owe.

Related resources

Publication 42 *Resale Certificate Tips*. (Trifold brochure with brief description of rules for issuing a resale certificate to a supplier and examples by business type.)

Regulation 1668 *Sales for Resale*

Note: The statements in this fact sheet are general and are current as of April 2005. The sales and use tax law and regulations are complex and subject to change. If there is a conflict between this publication and the law or regulations, decisions will be based on the law and regulations.